

I. Introduction

This report has been prepared for The Economic Development Task Force, an advisory body appointed by the Salton Sea Authority. The Economic Development Task Force engaged the Rose Institute of State and Local Government to prepare a report that would contain two main elements. The first element: a list of the potential revenue sources that could be used to help finance a proposed clean-up of the Salton Sea. The second element: a listing of the government entities involved in similar large, complex, ecologically challenging, water related projects. Additionally, some analysis of overall governance entity structure is provided.

The list of potential revenue sources is provided in section II.

Section III contains graphic and tabular data based on the economic projections developed by Professor Michael J. Bazdarich, Director of the Inland Empire Databank and Forecasting Center, Anderson Graduate School of Management, University of California, Riverside. Included in this section are brief discussions about the various attributes, pro and con, of each of the revenue streams reviewed.

The list of potential governmental structures that might be created to oversee the clean-up of the Salton Sea is provided in Section IV. In addition, this section contains some general observations about the attributes that any such governmental structure might possess.

Section V examines the potential consequences of allowing further deterioration of the Salton Sea.

Section VI estimates the total economic benefit of restoration of the Salton Sea.

The contents of this report reflect the input of the Economic Development Task Force at several meetings in November and December of 1998. The Rose Institute staff wishes to acknowledge the valuable insights provided by the Task Force and interested citizens who attended these meetings. This report benefited tremendously from their contributions.

Executive Summary

- I. There is a large number of potential revenue sources that might be used. Many have substantial limitations, however.
- II. The value of some of the potential revenue sources varies substantially, however.
 - A. The revenue streams generated from the most probable sources could have a net present value as high as \$361 million.
 - 1. Parking/entrance fees
 - 2. Salton Sea license plates
 - 3. Boat permits & launch fees
 - 4. Salton Sea fishing stamps
 - B. The revenue streams that possible revenue sources might generate could have a net present value as high as \$83 million.
 - 1. 0.5% sales tax increase in Salton Sea Focus Area
 - 2. Transient Occupancy Tax in the Salton Sea Focus Area
 - C. The revenue streams that problematic sources might generate could be substantial, but cannot be estimated with any precision at this time.
 - 1. Geothermal energy production
 - 2. Casino
 - 3. Water transfers, conservation & recycling
 - 4. Redevelopment
 - 5. Diversion of increased property tax revenues
- III. Any potential government structure will probably have to incorporate a substantial number of federal, tribal, state and local entities.
- IV. Consequences of allowing further deterioration of the Salton Sea are substantial.
 - A. Decreased property values of \$731 million to \$1.29 billion.
 - B. Decreased economic activity of \$161 million to \$238 million.
 - C. Environmental degradation, loss of habitat and bio-diversity, and decreases in the quality of life. Potential cost unknown at this time.
- V. Overall economic benefits of Salton Sea restoration are substantial.
 - A. \$4.38 billion to \$5.8 billion